

AMENDED IN ASSEMBLY JUNE 26, 2009

SENATE BILL

No. 291

**Introduced by ~~Committee on Banking, Finance and Insurance~~
(~~Senators Calderon (Chair), Correa, Cox, Florez, Harman, Kehoe,~~
~~Liu, Lowenthal, Padilla, and Runner~~)*Senator Calderon***

February 25, 2009

An act to amend ~~Sections 1215.5 and 11136~~ *Section 12640.05* of the Insurance Code, relating to insurance ~~regulations~~.

LEGISLATIVE COUNSEL'S DIGEST

SB 291, as amended, ~~Committee on Banking, Finance and Insurance~~ *Calderon. Insurance regulations. Insurance reserves.*

Existing law requires a mortgage guaranty insurer to maintain a policyholders surplus at all times in an amount not less than the amount required, as specified, and defines "face amount of an insured mortgage" for these purposes. Existing law requires a mortgage guaranty insurer to cease new business if the insurer does not have the amount of policyholders surplus required, as specified.

This bill would revise the definition of "face amount of an insured mortgage" to exclude the outstanding principal balance of any loan that is in default and for which the insurer has established a loss reserve, as specified. The bill would provide that if a mortgage guaranty insurer will not have the amount of policyholders surplus required, then as soon as practicable after the insurer is reasonably certain that its policyholder surplus will fall below the amount required, the insurer shall so notify the commissioner. The commissioner may issue an order instructing the insurer to cease transacting new business in California, as specified, provided however, that prior to the issuance of an order instructing the insurer to cease transacting new business, the insurer

shall be entitled to a hearing. The costs of the hearing would be borne by the insurer, as specified.

~~Existing law prohibits domestic insurers or commercially domiciled insurers from entering into specified transactions unless they have notified the Insurance Commissioner of their intent to enter into the transaction in advance of entering into the transaction and the commissioner fails to prohibit the transaction, as specified.~~

~~This bill would specify that tax sharing agreements are among the types of transactions for which the insurer would have to give the commissioner advanced notification of its intent to enter into the transaction, as specified.~~

~~Existing law defines a fraternal benefit society as an incorporated society or supreme lodge without capital stock conducted solely for the benefit of its members and members' beneficiaries and not for profit. Under existing law, a fraternal benefit society may issue certificates of insurance providing for the payment of life and disability insurance benefits, as specified. Existing law requires fraternal benefit societies to use, among other tables, mortality tables approved by regulation promulgated by the Insurance Commissioner for purposes of determining actuary values, as specified.~~

~~This bill would, in addition, authorize fraternal benefit societies to use mortality tables approved by bulletin issued by the commissioner for purposes of determining actuary values, as specified.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 12640.05 of the Insurance Code is
2 amended to read:
3 12640.05. (a) A mortgage guaranty insurer shall maintain-at
4 all times a policyholders surplus in an amount not less than the
5 amount required by this section. The ~~required~~ policyholders surplus
6 shall be the calculated net of reinsurance ceded, but shall include
7 reinsurance assumed. "Face amount of an insured mortgage" means
8 the outstanding principal balance computed without any reduction
9 because of an insurer's option limiting its coverage, *but shall*
10 *exclude the outstanding principal balance of any loan that is in*
11 *default and for which the insurer has established a loss reserve,*
12 *provided that the loss reserve established for that loan is equal to*

or greater than the policyholders surplus the insurer would otherwise be required to establish with respect to that loan, pursuant to this section. Nothing in this subdivision limits the commissioner's authority under Section 12640.04.

(b) If a policy of mortgage guaranty insurance insures individual loans with a percentage claim settlement option on such loans, the insurer shall maintain a policyholders surplus based on each one hundred dollars (\$100) of the face amount of the mortgage, the percentage coverage or claim settlement option, and the loan-to-value category.

The required amount of policyholders surplus shall be calculated in the following manner:

(1) If the total indebtedness is greater than 75 percent of the value of the collateral property at the date of the insurance:

Percent Coverage	Policyholders Surplus per \$100 of the Face Amount of the Mortgage		Percent Coverage	Policyholders Surplus per \$100 of the Face Amount of the Mortgage	
5%	\$.20	55%	\$	1.50
10		.40	60		1.55
15		.60	65		1.60
20		.80	70		1.65
25		1.00	75		1.75
30		1.10	80		1.80
35		1.20	85		1.85
40		1.30	90		1.90
45		1.35	95		1.95
50		1.40	100		2.00

If the percent coverage is between any five-point increment, then the factor for policyholders surplus per one hundred dollars (\$100) of the face amount of the mortgage shall be prorated.

(2) If the total indebtedness is at least 50 percent and not more than 75 percent of the value of the collateral property at the date of insurance, the required amount of policyholders surplus shall be 50 percent of the amount required by paragraph (1) of subdivision (b).

(3) If the total indebtedness is less than 50 percent of the value of the collateral property at the date of insurance, the required amount of policyholders surplus shall be 25 percent of the amount required by paragraph (1) of subdivision (b).

(c) If a policy of mortgage guaranty insurance provides coverage on a group of loans subject to an aggregate loss limit, the policyholders surplus shall be:

(1) If the equity is not more than 50 percent and is at least 20 percent, or equity plus prior insurance or a deductible equals 25 percent of the value of the collateral property at the date of insurance, the required amount of policyholders surplus shall be calculated as follows:

Percent Coverage	Policyholders Surplus per \$100 of the Face	Percent Coverage	Policyholders Surplus per \$100 of the Face
	Amount of the Mortgage		Amount of the Mortgage
1%	\$.30	50%	\$.825
5	.50	60	.85
10	.60	70	.875
15	.65	75	.90
20	.70	80	.925
25	.75	90	.95
30	.775	100	1.00
40	.80		

If the percent coverage is between any specified increment, then the factor for policyholders surplus per one hundred dollars (\$100) of the face amount of the mortgage shall be prorated.

(2) If the equity is less than 20 percent or the equity plus prior insurance or a deductible is less than 25 percent of the value of the collateral property at the date of insurance, the required amount of policyholders surplus shall be 200 percent of the amount required by paragraph (1) of subdivision (c).

(3) If the equity is more than 50 percent or the equity plus prior insurance or a deductible is more than 55 percent of the value of the collateral property at the date of insurance, the required amount of policyholders surplus shall be 50 percent of the amount of policyholders surplus required by paragraph (1) of subdivision (c).

1 (d) If a policy of mortgage guaranty insurance provides for
2 layers of coverage, deductibles or excess reinsurance, the required
3 amount of policyholders surplus may be computed by subtraction
4 of the required policyholders surplus for the lower percentage
5 coverage limits from the required policyholders surplus for the
6 upper or greater coverage limit.

7 (e) If a policy of mortgage guaranty insurance provides for
8 coverage on loans secured by second liens, the policyholders
9 surplus shall be:

10 (1) If the policy provides coverage on individual loans, the
11 required amount of policyholders surplus shall be calculated
12 according to subdivision (b) after the percent of coverage and the
13 loan-to-value ratios have been determined as follows:

14 ~~(a)~~

15 (A) Divide the insured portion of the second loan by the entire
16 loan indebtedness on the collateral property to determine the
17 percent coverage.

18 ~~(b)~~

19 (B) Divide the entire loan indebtedness on the property by the
20 value of the collateral property at the date of insurance to determine
21 loan-to-value percent.

22 ~~(c)~~

23 (C) The face amount of insured mortgage shall mean the entire
24 loan indebtedness on the property.

25 ~~(d)~~

26 (D) Equity shall mean the complement of the loan-to-value
27 percent.

28 (2) If the policy provides coverage on a group of loans subject
29 to an aggregate loss limit, the policyholders surplus shall be
30 calculated according to subdivision (c) after the percent of coverage
31 and the loan-to-value ratios have been determined in accordance
32 with paragraph (1).

33 ~~(e)~~

34 (f) If a policy of mortgage guaranty insurance provides for
35 coverage on leases, the policyholders surplus shall be four dollars
36 (\$4) for each one hundred dollars (\$100) of the insured amount of
37 the lease.

38 ~~(f)~~

39 (g) If a mortgage guaranty insurer ~~does~~ *will* not have the amount
40 of policyholders surplus required by this section, it shall ~~cease~~

1 ~~transacting new business until such time that its policyholders~~
2 ~~surplus is in compliance with this section., as soon as practicable~~
3 ~~after the insurer is reasonably certain that its policyholder surplus~~
4 ~~will fall below the amount required by this section, so notify the~~
5 ~~commissioner. Based on the information provided by the insurer,~~
6 ~~or as otherwise determined by the commissioner, the commissioner~~
7 ~~may issue an order instructing the insurer to cease transacting~~
8 ~~new business in California. Prior to the issuance of an order~~
9 ~~instructing the insurer to cease transacting new business, the~~
10 ~~insurer shall be entitled to a hearing. The commissioner may retain~~
11 ~~consultants, including accountants, actuaries, or other experts, to~~
12 ~~assist the commissioner in the review of the information submitted~~
13 ~~by the insurer pursuant to this section. The insurer shall bear the~~
14 ~~commissioner's cost of retaining those consultants, and shall~~
15 ~~reimburse the commissioner for the cost of any hearing requested~~
16 ~~by the insurer. Nothing in this section is intended to limit the~~
17 ~~commissioner's authority under any other provision of this code.~~

18 ~~SECTION 1. Section 1215.5 of the Insurance Code is amended~~
19 ~~to read:~~

20 ~~1215.5. (a) Transactions by registered insurers with their~~
21 ~~affiliates are subject to the following standards:~~

- 22 ~~(1) The terms shall be fair and reasonable.~~
23 ~~(2) Charges or fees for services performed shall be reasonable.~~
24 ~~(3) Expenses incurred and payment received shall be allocated~~
25 ~~to the insurer in conformity with customary insurance accounting~~
26 ~~practices consistently applied.~~
27 ~~(4) The books, accounts, and records of each party to all~~
28 ~~transactions shall be so maintained as to clearly and accurately~~
29 ~~disclose the precise nature and details of the transactions, including~~
30 ~~accounting information that is necessary to support the~~
31 ~~reasonableness of the charges or fees to the parties.~~
32 ~~(5) The insurer's policyholder's surplus following any dividends~~
33 ~~or distributions to shareholder affiliates shall be reasonable in~~
34 ~~relation to the insurer's outstanding liabilities and adequate to its~~
35 ~~financial needs.~~

36 ~~(b) The following transactions involving a domestic insurer or~~
37 ~~commercially domiciled insurer, as defined in Section 1215.13,~~
38 ~~and any person in its holding company system, may be entered~~
39 ~~into only if the insurer has notified the commissioner in writing~~
40 ~~of its intention to enter into the transaction at least 30 days prior~~

1 thereto, or a shorter period as the commissioner may permit, and
2 the commissioner has not disapproved it within that period. The
3 commissioner shall require the payment of one thousand eight
4 hundred eighty-nine dollars (\$1,889) as a fee for filings under this
5 subdivision. The payment shall accompany the filing.

6 (1) Sales, purchases, exchanges, loans, extensions of credit, or
7 investments, if the transactions are equal to or exceed:

8 (A) For a nonlife insurer, the lesser of 3 percent of the insurer's
9 admitted assets or 25 percent of the policyholder's surplus as of
10 the preceding December 31st.

11 (B) For a life insurer, 3 percent of the insurer's admitted assets
12 as of the preceding December 31st.

13 (2) Loans or extensions of credit to a person who is not an
14 affiliate, if made with the agreement or understanding that the
15 proceeds of the transactions, in whole or in substantial part, are to
16 be used to make loans or extensions of credit to, to purchase assets
17 of, or to make investments in, any affiliate of the insurer, if the
18 transactions are equal to or exceed:

19 (A) For a nonlife insurer, the lesser of 3 percent of the insurer's
20 admitted assets or 25 percent of the policyholder's surplus as of
21 the preceding December 31st.

22 (B) For a life insurer, 3 percent of the insurer's admitted assets
23 as of the preceding December 31st.

24 (3) Reinsurance agreements or modifications thereto in which
25 the reinsurance premium or a change in the insurer's liabilities
26 equals or exceeds 5 percent of the insurer's policyholder's surplus,
27 as of the preceding December 31st, including those agreements
28 that may require as consideration the transfer of assets from an
29 insurer to a nonaffiliate, if an agreement or understanding exists
30 between the insurer and nonaffiliate that any portion of the assets
31 will be transferred to one or more affiliates of the insurer.

32 (4) All management agreements, service contracts, tax sharing
33 agreements, and cost-sharing arrangements. However, subscription
34 agreements or powers of attorney executed by subscribers of a
35 reciprocal or interinsurance exchange are not required to be
36 reported pursuant to this section if the form of the agreement was
37 in use before 1943 and was not amended in any way to modify
38 payments, fees, or waivers of fees or otherwise substantially
39 amended after 1943. Payment or waiver of fees or other amounts
40 due under subscription agreements or powers of attorney forms

1 that were in use before 1943 and that have not been amended in
2 any way to modify payments, fees, or waiver of fees, or otherwise
3 substantially amended after 1943 shall not be subject to regulation
4 pursuant to paragraph (2) of subdivision (a).

5 ~~(5) Guarantees when initiated or made by a domestic or~~
6 ~~commercially domiciled insurer, provided that a guarantee that is~~
7 ~~quantifiable as to amount is not subject to the notice requirements~~
8 ~~of this paragraph unless it exceeds the lesser of one-half of 1~~
9 ~~percent of the insurer's admitted assets or 10 percent of surplus as~~
10 ~~regards policyholders as of the 31st day of December next~~
11 ~~preceding. Further, all guarantees that are not quantifiable as to~~
12 ~~amount are subject to the notice requirements of this paragraph.~~

13 ~~(6) Derivative transactions or series of derivative transactions.~~
14 ~~The written filing to the commissioner shall include the type or~~
15 ~~types of derivative transactions, the affiliate or affiliates engaging~~
16 ~~with the insurer in the derivative transactions, the objective and~~
17 ~~the rationale for the derivative transaction or series of derivative~~
18 ~~transactions, the maximum maturity and economic effect of the~~
19 ~~derivative transactions, and any other information required by the~~
20 ~~commissioner. Derivative transactions entered into pursuant to~~
21 ~~this subdivision shall comply with the provisions of Section 1211.~~

22 ~~(7) Direct or indirect acquisitions or investments in a person~~
23 ~~that controls the insurer or in an affiliate of the insurer in an amount~~
24 ~~that, together with its present holdings in those investments,~~
25 ~~exceeds 2.5 percent of the insurer's policyholder's surplus. Direct~~
26 ~~or indirect acquisitions or investments in subsidiaries acquired~~
27 ~~under Section 1215.1, or in nonsubsidiary insurance affiliates that~~
28 ~~are subject to the provisions of this article, or in subsidiaries~~
29 ~~acquired pursuant to Section 1199, are exempt from this~~
30 ~~requirement.~~

31 ~~(8) Any material transactions, specified by regulation, that the~~
32 ~~commissioner determines may adversely affect the interests of the~~
33 ~~insurer's policyholders.~~

34 ~~(c) A domestic insurer may not enter into transactions that are~~
35 ~~part of a plan or series of transactions with persons within the~~
36 ~~holding company system if the purpose of those transactions is to~~
37 ~~avoid the statutory threshold amount and thus avoid review. If the~~
38 ~~commissioner determines that separate transactions were entered~~
39 ~~into over any 12-month period to avoid review, the commissioner~~
40 ~~may exercise his or her authority under Section 1215.10.~~

1 ~~(d) The commissioner, in reviewing transactions under~~
2 ~~subdivision (b), shall consider whether the transactions comply~~
3 ~~with the standards set forth in subdivision (a) and whether they~~
4 ~~may adversely affect the interests of policyholders.~~

5 ~~(e) The commissioner shall be notified within 30 days of any~~
6 ~~investment by the insurer in any one corporation if the total~~
7 ~~investment in the corporation by the insurance holding company~~
8 ~~system exceeds 10 percent of the corporation's voting securities.~~

9 ~~(f) For purposes of this article, in determining whether an~~
10 ~~insurer's policyholder's surplus is reasonable in relation to the~~
11 ~~insurer's outstanding liabilities and adequate to its financial needs,~~
12 ~~the following factors, among others, shall be considered:~~

13 ~~(1) The size of the insurer, as measured by its assets, capital~~
14 ~~and surplus, reserves, premium writings, insurance in force, and~~
15 ~~other appropriate criteria.~~

16 ~~(2) The extent to which the insurer's business is diversified~~
17 ~~among the several lines of insurance.~~

18 ~~(3) The number and size of risks insured in each line of business.~~

19 ~~(4) The extent of the geographical dispersion of the insurer's~~
20 ~~insured risks.~~

21 ~~(5) The nature and extent of the insurer's reinsurance program.~~

22 ~~(6) The quality, diversification, and liquidity of the insurer's~~
23 ~~investment portfolio.~~

24 ~~(7) The recent past and projected future trend in the size of the~~
25 ~~insurer's investment portfolio.~~

26 ~~(8) The recent past and projected future trend in the size of the~~
27 ~~insurer's surplus, and the policyholder's surplus maintained by~~
28 ~~other comparable insurers.~~

29 ~~(9) The adequacy of the insurer's reserves.~~

30 ~~(10) The quality and liquidity of investments in subsidiaries~~
31 ~~made under Section 1215.1. The commissioner may treat any such~~
32 ~~investment as a disallowed asset for purposes of determining the~~
33 ~~adequacy of the policyholder's surplus whenever, in his or her~~
34 ~~judgment, the investment so warrants.~~

35 ~~(11) The quality of the company's earnings and the extent to~~
36 ~~which the reported earnings include extraordinary accounting~~
37 ~~items.~~

38 ~~(g) No insurer subject to registration under Section 1215.4 shall~~
39 ~~pay any extraordinary dividend or make any other extraordinary~~
40 ~~distribution to its stockholders until 30 days after the commissioner~~

1 has received notice of the declaration thereof and has approved
2 the payment or has not, within the 30-day period, disapproved the
3 payment.

4 For purposes of this section, an extraordinary dividend or
5 distribution is any dividend or distribution which, together with
6 other dividends or distributions made within the preceding 12
7 months, exceeds the greater of (1) 10 percent of the insurer's
8 policyholder's surplus as of the preceding December 31st, or (2)
9 the net gain from operations of the insurer, if the insurer is a life
10 insurer, or the net income, if the insurer is not a life insurer, for
11 the 12-month period ending the preceding December 31st.

12 Notwithstanding any other provision of law, an insurer may
13 declare an extraordinary dividend or distribution that is conditional
14 upon the commissioner's approval. The declaration confers no
15 rights upon stockholders until the commissioner has approved the
16 payment of the dividend or distribution or until the commissioner
17 has not disapproved the payment within the 30-day period referred
18 to in this subdivision.

19 (h) Notwithstanding the control of a domestic insurer by any
20 person, the officers and directors of the insurer shall not thereby
21 be relieved of any obligation or liability to which they would
22 otherwise be subject to by law, and the insurer shall be managed
23 to ensure its separate operating identity consistent with the
24 provisions of this article. However, nothing in this article shall
25 preclude a domestic insurer from having or sharing a common
26 management or cooperative or joint use of personnel, property, or
27 services with one or more other persons under arrangements
28 meeting the standards of subdivision (a).

29 (i) The provisions of this section do not apply to any insurer,
30 information, or transaction exempted by the commissioner.

31 SEC. 2. Section 11136 of the Insurance Code is amended to
32 read:

33 11136. Except as otherwise provided in Section 10489.4, such
34 valuation shall be certified by a competent actuary or, at the
35 expense of the society, verified by the actuary of the insurance
36 supervisory official of the state of domicile of the society, and the
37 legal minimum standard of valuation shall be as follows:

38 (a) All benefits promised by certificates issued prior to
39 September 22, 1952, and the rates therefor shall be valued in
40 accordance with the provisions of law applicable thereto as of the

1 ~~date of issuance, but not lower than the standards and interest~~
2 ~~assumptions used in the calculation of rates for such benefits.~~

3 ~~(b) The minimum standard for the valuation of all certificates~~
4 ~~issued after September 21, 1952, and prior to January 1, 1972,~~
5 ~~shall be 3 percent per annum interest; in the case of certificates~~
6 ~~issued on and after January 1, 1972, and prior to January 1, 1980,~~
7 ~~the minimum standard for the valuation of all such certificates~~
8 ~~shall be 4 percent per annum interest; and in the case of certificates~~
9 ~~issued on and after January 1, 1980, the minimum standard for the~~
10 ~~valuation of all single premium certificates shall be 5 ½ percent~~
11 ~~per annum interest and for the valuation of all other such~~
12 ~~certificates shall be 4 ½ percent per annum interest, and the~~
13 ~~following tables:~~

14 ~~(1) For all ordinary certificates of life insurance issued on the~~
15 ~~standard basis, excluding any disability and accidental death~~
16 ~~benefits in such certificates—the American Men Ultimate Table~~
17 ~~of Mortality, with Bowerman's or Davis' Extension thereof, or,~~
18 ~~at the option of the society, the Commissioners 1941 Standard~~
19 ~~Ordinary Mortality Table or the Commissioners 1958 Standard~~
20 ~~Ordinary Mortality Table, using actual age of the insured for male~~
21 ~~risks and an age not more than six years younger than the actual~~
22 ~~age of the insured for female risks, and for such policies issued on~~
23 ~~or after the operative date of Section 10163.2 (i) the Commissioners~~
24 ~~1980 Standard Ordinary Mortality Table, or (ii) at the election of~~
25 ~~the company for any one or more specified plans of life insurance,~~
26 ~~the Commissioners 1980 Standard Ordinary Mortality Table with~~
27 ~~Ten-Year Select Mortality Factors, or (iii) any ordinary mortality~~
28 ~~table, adopted after 1980 by the National Association of Insurance~~
29 ~~Commissioners, or its successor, that is approved by regulation~~
30 ~~promulgated or bulletin issued by the commissioner for use in~~
31 ~~determining the minimum standard of valuation for such policies.~~

32 ~~(2) For all industrial life insurance certificates issued on the~~
33 ~~standard basis, excluding any disability and accidental death~~
34 ~~benefits in such certificates—the 1941 Standard Industrial~~
35 ~~Mortality Table, for such certificates issued prior to the operative~~
36 ~~date of Section 10163.2, and for such policies issued on or after~~
37 ~~such operative date, the Commissioners 1961 Standard Industrial~~
38 ~~Mortality Table or any industrial mortality table, adopted after~~
39 ~~1980 by the National Association of Insurance Commissioners, or~~
40 ~~its successor, that is approved by regulation promulgated or bulletin~~

1 issued by the commissioner for use in determining the minimum
2 standard of valuation for such policies.

3 ~~(3) For annuity and pure endowment certificates, excluding any~~
4 ~~disability and accidental death benefits in such certificates—the~~
5 ~~1937 Standard Annuity Mortality Table, or the Annuity Mortality~~
6 ~~Table for 1949 Ultimate, or the Individual Annuity Mortality Table~~
7 ~~for 1971, or any individual annuity mortality table, adopted after~~
8 ~~1980 by the National Association of Insurance Commissioners, or~~
9 ~~its successor, that is approved by regulation promulgated or bulletin~~
10 ~~issued by the commissioner for use in determining the minimum~~
11 ~~standard of valuation for such contracts, or any modification of~~
12 ~~any of these tables approved by the commissioner.~~

13 ~~(4) For disability benefits in or supplementary to ordinary~~
14 ~~certificates—Hunter's Disability Table or the Class 3 Disability~~
15 ~~Table (1926), modified to conform to the contractual waiting~~
16 ~~period, or the tables of Period 2 disablement rates and the 1930 to~~
17 ~~1950 termination rates of the 1952 Disability Study of the Society~~
18 ~~of Actuaries with due regard to the type of benefit, or the 1964~~
19 ~~Commissioners Disability Table, or any tables of disablement rates~~
20 ~~and termination rates, adopted after 1980 by the National~~
21 ~~Association of Insurance Commissioners, or its successor, that are~~
22 ~~approved by regulation promulgated or bulletin issued by the~~
23 ~~commissioner for use in determining the minimum standard of~~
24 ~~valuation for such policies. Any such table shall, for active lives,~~
25 ~~be combined with a mortality table permitted for calculating the~~
26 ~~reserves for life insurance certificates.~~

27 ~~(5) For accidental death benefits in or supplementary to~~
28 ~~certificates—The Inter-Company Double Indemnity Mortality~~
29 ~~Table or the 1959 Accidental Death Benefits Table, or any~~
30 ~~accidental death benefits table, adopted after 1980 by the National~~
31 ~~Association of Insurance Commissioners, or its successor, that is~~
32 ~~approved by regulation promulgated or bulletin issued by the~~
33 ~~commissioner for use in determining the minimum standard of~~
34 ~~valuation for such policies. Any such table shall be combined with~~
35 ~~a mortality table permitted for calculating the reserves for life~~
36 ~~insurance certificates.~~

37 ~~(6) For temporary accident and health benefits in or~~
38 ~~supplementary to certificates—Class 3 Disability Table (1926)~~
39 ~~with Conference Modifications or the 1964 Commissioners~~
40 ~~Disability Table, or any tables of disablement rates and termination~~

1 rates, adopted after 1980 by the National Association of Insurance
2 Commissioners, or its successor, that are approved by regulation
3 promulgated or bulletin issued by the commissioner for use in
4 determining the minimum standard of valuation for such policies.

5 (7) For life insurance issued upon the substandard basis and
6 other special benefits—such tables as may be approved by the
7 commissioner.

8 (e) The commissioner may, in his discretion, accept other
9 standards for valuation if he finds that the reserves produced
10 thereby will not be less in the aggregate than reserves computed
11 in accordance with the minimum valuation standard prescribed.
12 Whenever the mortality experience under the certificates valued
13 on the same mortality table is in excess of the expected mortality
14 according to such table for a period of three consecutive years, the
15 commissioner may require additional reserves when in his
16 judgment deemed necessary on account of such certificates.

17 (d) Notwithstanding the provisions of subdivisions (a) and (b),
18 any society, with the consent of the insurance supervisory official
19 of the state of domicile of the society, and under such conditions,
20 if any, which he may impose, may establish and maintain reserves
21 on its certificates in excess of the reserves required thereunder,
22 but the contractual rights of any insured member shall not be
23 affected thereby.